

# MONTEREY COUNTY

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## AUDITOR - CONTROLLER

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**MICHAEL J. MILLER**, CPA, CISA  
AUDITOR-CONTROLLER

February 20, 2003

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ASSISTANT AUDITOR-CONTROLLER

To: The Honorable Terrance R. Duncan  
Presiding Judge of the Superior Court  
Monterey County  
Post Office Box 1819  
Salinas, California 93902

From: Michael J. Miller, *MJM* Auditor-Controller  
Monterey County

Subject: Response to Grand Jury Report.

On behalf of the entire staff of the Auditor-Controller's Office, I would like to thank the members of the 2002 Monterey County Grand Jury for their hard work and dedication in producing this year's Grand Jury Report.

We have reviewed the contents of this year's Grand Jury Report and are pleased to reply to the comments and recommendations that were made in the Audit and Finance section of the document as outlined in pages 21 through 24. Please accept the attached documents as the official response from the Monterey County Auditor-Controller's Office.

We would like to thank Daniel I. Reith, Foreman, 2002 Monterey County Civil Grand Jury and all of the other members of his team who worked so hard to produce this very fine report.

If you have any questions or if you would like to meet with me to discuss our responses please feel free to contact this office at your earliest opportunity.

## **AUDITOR CONTROLLER'S OFFICE RESPONSE TO GRAND JURY FINDINGS.**

1. Finding: The recommended Budget provides goals and status of selected budget units, but a breakdown of costs for recommended or ongoing programs and projects is typically not shown.

Response: The Auditor-Controller's Office is aware that the current reporting structure lacks detailed information for programs and projects. It has been determined that the current in-house computer system has limitations and does not provide a mechanism to budget and capture more detailed breakdowns of costs. The Auditor-Controller's office, with County support, is planning to replace the Budget Preparation and Financial Information Systems. This project is expected to be completed in 2005.

2. Finding: Personnel head count and salaries are shown, but a more inclusive "fully loaded" cost for an individual is not estimated.

Response: We agree with the comment. The Auditor-Controller's office, in conjunction with the CAO's office, Information Technology, and Natividad Hospital, are working on a project to replace the Human Resource / Payroll systems. This project is expected to be completed by next year. The replacement of the Human Resource / Payroll systems coupled with the replacement of the Budget Preparation and Financial Systems in 2005 will allow the County departments to make "fully loaded" calculations in a timely and accurate manner. The current systems do not support this calculation.

3. Finding: Expenditures are generally not identified by project or program (with exceptions)

Response: In many instances this is true. Again, the County needs to replace the current Budget and Financial Information System to provide this much needed service. At the present time county departments must track this information outside of the main county accounting systems, which leads to duplicate efforts and may affect the accuracy of the reported project and program expenditures.

4. Finding: While new programs and projects within a budget entity are approved on their merit and priority, there appears to be no formal system in place to

systematically ascertain and evaluate their actual performance and cost versus the milestones and goals when they were first adopted.

Response: We feel that this comment has merit. Traditionally each department requesting funding for a new, specialized or unique programs will provide whatever financial, statistical or performance based documentation as requested by the County Administrator's Office. After such documentation is evaluated the CAO typically makes recommendations to the Board pertaining to the future funding, goals, objectives and accomplishments of the program in question.

In the mean time, without a system to budget and capture actual expenditures by program or project, after a program or project has been approved, county departments are forced to maintain separate records, which is expensive, time consuming and labor intensive.

5. Finding: Workloads and related statistics are frequently mentioned, but without measures of efficiency or effectiveness.

Response: In general we agree with the comment. However, it will be difficult for the County Administrator's Office to calculate performance measurements for all of the specialized programs that exist within the county. We believe that if measures of efficiency or effectiveness are going to be requested by the Board of Supervisors for all programs, the individual departments who administer these projects should be responsible for the documentation requested. Also, perhaps it would be best to only spend staff time on efficiency or effectiveness issues when the Board Requests specific information on a particular project.

6. Finding: Once established, a program may continue indefinitely, independent of its current relevance or effectiveness, as there is no simple way to identify these expenditures on an ongoing basis.

Response: We do not completely agree with the comment. We believe that the analysts in the County Administrator's Office have traditionally been able to identify expenditures whenever they are needed. Admittedly, the recovery of prior year data is a little time consuming but the CAO has traditionally been able to accomplish their tasks whenever they need to simply by working closely with the department heads responsible for the programs in question.

7. Finding: The 2002 Monterey County Civil Grand Jury recommends that an operational audit of the budget process be made (consider the use of the County Auditor or an independent consultancy) with the following goals in mind:

1. Improving clarity – i.e., making it simpler for people to see how the money is being spend and to visualize the impact of cutbacks.

2. Identifying performance measures – allowing the public to see whether the funds are being spent efficiently.

This audit should provide detailed recommendations (building from the Findings and Recommendation in this report) for final approval by the Board of Supervisors.

Response: We agree with the Recommendation and would like to form a committee with the CAO's office and other key department heads to explore the best options available to us in conducting such an audit of the County's budget process.

C:/ Draft Grand Jury Response